

REPORT  
LOUISIANA APPELLATE PROJECT  
JUNE 30, 2011 AND 2010

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Release Date **OCT 12 2011**

LOUISIANA APPELLATE PROJECT

JUNE 30, 2011 AND 2010

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HOGAN & MAHER, L.L.P.

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## INDEPENDENT AUDITOR'S REPORT

August 15, 2011

To the Board of Directors of  
The Louisiana Appellate Project

We have audited the accompanying statements of financial position of the Louisiana Appellate Project (a Louisiana nonprofit corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Louisiana Appellate Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Appellate Project as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011 on our consideration of the Louisiana Appellate Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

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LOUISIANA APPELLATE PROJECT  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

	<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:			
Cash		\$ 336,626	\$ 420,573
Total current assets		<u>336,626</u>	<u>420,573</u>
PROPERTY AND EQUIPMENT:			
Computer equipment		<u>4,759</u>	<u>4,759</u>
		4,759	4,759
Less: Accumulated depreciation		<u>(4,759)</u>	<u>(4,759)</u>
Net property and equipment		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>\$ 336,626</u>	<u>\$ 420,573</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Accounts payable and accrued expenses		\$ <u>36,431</u>	\$ <u>4,999</u>
Total liabilities		<u>36,431</u>	<u>4,999</u>
NET ASSETS:			
Unrestricted		226,386	253,483
Temporarily restricted		<u>73,809</u>	<u>162,091</u>
Total net assets		<u>300,195</u>	<u>415,574</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 336,626</u>	<u>\$ 420,573</u>

See accompanying notes.

LOUISIANA APPELLATE PROJECT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS:		
Unrestricted revenues:		
Operating income - LPDB	\$ 1,896,250	\$ 1,838,750
Seminar	5,000	6,375
Interest income	592	1,071
Total unrestricted revenues	<u>1,901,842</u>	<u>1,846,196</u>
Net assets released from restrictions	<u>719,562</u>	<u>367,220</u>
Total unrestricted revenues and other support	<u>2,621,404</u>	<u>2,213,416</u>
Expenses:		
Program services	2,604,492	2,254,158
Supporting services:		
Administrative and general	<u>12,729</u>	<u>5,683</u>
Total expenses	<u>2,617,221</u>	<u>2,259,841</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>4,183</u>	<u>(46,425)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Expert witness income - LPDB	600,000	500,000
Net assets released from restrictions	<u>(719,562)</u>	<u>(367,220)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(119,562)</u>	<u>132,780</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(115,379)</u>	<u>86,355</u>
Net assets at beginning of year	<u>415,574</u>	<u>329,219</u>
NET ASSETS AT END OF YEAR	<u>\$ 300,195</u>	<u>415,574</u>

See accompanying notes.

LOUISIANA APPELLATE PROJECT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Program Services	Administrative and General	Total	Program Services	Administrative and General	Total
Accounting	\$ -	\$ 8,330	\$ 8,330	\$ -	\$ 1,485	\$ 1,485
Bank charges	-	339	339	-	188	188
Contractual services	1,753,146	-	1,753,146	1,753,999	-	1,753,999
Depreciation	-	-	-	48	5	53
Expert witness payments	719,562	-	719,562	367,220	-	367,220
Filing fees	292	-	292	-	-	-
General insurance	11,960	-	11,960	9,554	-	9,554
Licenses and permits	-	60	60	-	5	5
Office expense	36,000	4,000	40,000	36,000	4,000	40,000
Seminar	22,044	-	22,044	22,788	-	22,788
Subscriptions	61,488	-	61,488	64,549	-	64,549
Total expenses	\$ <u>2,604,492</u>	\$ <u>12,729</u>	\$ <u>2,617,221</u>	\$ <u>2,254,158</u>	\$ <u>5,683</u>	\$ <u>2,259,841</u>

See accompanying notes.

LOUISIANA APPELLATE PROJECT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (115,379)	\$ 86,355
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	-	53
Increase in accounts payable	<u>31,432</u>	<u>4,999</u>
Net cash provided by (used in) operating activities	<u>(83,947)</u>	<u>91,407</u>
Net increase (decrease) in cash and cash equivalents	(83,947)	91,407
Cash and cash equivalents - beginning of year	<u>420,573</u>	<u>329,166</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 336,626</u>	<u>\$ 420,573</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	\$ <u>-</u>	\$ <u>-</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes.

LOUISIANA APPELLATE PROJECT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

DESCRIPTION OF ORGANIZATION:

The Louisiana Appellate Project (LAP) was formed as a 501(c)(3) non-profit law office on April 1, 1996. It was the first program or agency established by the Louisiana Indigent Defender Board (now Louisiana Public Defender Board). The Louisiana Appellate Project provides appellate services for indigents in all non-capital felony appeals in all Louisiana districts. Effective August 1, 2005, LAP became responsible for appeals of felony grade delinquency adjudications.

Appellate work includes work in the appellate courts of Louisiana, and, when appropriate, filing writs to the Louisiana Supreme Court. It also includes cases appealed by the State, such as when a court declares a statute unconstitutional.

Every district public defender office has contracted with LAP to supplement their staff with these services. There is no cost to the district public defender. Almost all funding for LAP comes from the Louisiana Public Defender Board, with minor income from the LAP annual seminar. By concentrating appellate work across all five Louisiana Circuit Courts to LAP attorneys, client's appeals are handled by attorneys with the skills, experience and time to focus on the unique needs of appellate work. This arrangement similarly allows public defenders to focus on trial practice and their primary duties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the Project's significant accounting policies applied in the preparation of the accompanying financial statement follows:

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Project follows the provisions of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*. FASB ASC 958 established the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. It requires the classification of resources into three classes of net assets based on the absence or existence of donor-imposed restrictions. These three classifications are defined as follows:

*Unrestricted Net Assets* – Those net assets whose use is not restricted by donors.

*Temporarily Restricted Net Assets* – Those net assets whose use by the Project has been limited by donors (a) to later periods of time or after specified dates, or (b) to specific purposes.



LOUISIANA APPELLATE PROJECT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting and Financial Statement Presentation (Continued)

*Permanently Restricted Net Assets* – Those net assets that must be maintained in perpetuity due to donor-imposed restrictions that will neither expire with the passage of time nor be removed by meeting certain requirements.

The Project has no permanently restricted assets, liabilities or activities.

The statement of activities presents expenses of the Project's operations functionally between administrative and program. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Project considers cash in banks and cash on hand to be cash equivalents.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at the date of receipt. Depreciation is calculated by the straight-line method over the estimated useful life of the assets, which is five years for the assets currently held. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

The Project has adopted a policy of capitalizing property and equipment with a cost of greater than \$1,000.

Depreciation expense totaled \$-0- and \$53 during the years ended June 30, 2011 and 2010, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

LOUISIANA APPELLATE PROJECT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax

The Project is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and, accordingly the financial statements do not reflect a provision for income taxes. The Project's federal Return of Organization Exempt from Income Tax (Form 990) for 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after they were filed. There was no unrelated business income during the year

Functional Expenses

Expenses are charged directly to supporting program services or administrative and general in categories based on specific identification. Expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

2. CONCENTRATIONS OF CREDIT RISK:

The Project's income is derived primarily from funding under contracts with the Louisiana Public Defender Board to support its operations.

The Project maintains its cash balances in two financial institutions located within the state of Louisiana. The balance in the interest-bearing account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through December 31, 2013. The funds in the non-interest bearing account will be fully insured through December 31, 2012. At June 30, 2011, the bank balances were fully insured. At June 30, 2010, the uninsured portion of the bank balances was \$75,502.

3. RELATED PARTY TRANSACTIONS:

For the year ended June 30, 2010, the Executive Director of the Louisiana Appellate Project was also a member of the Board of Directors. The amount of payments for Executive Director's services totaled \$101,500, and the payments for office expenses totaled \$40,000.

The Executive Director is no longer a member of the Board of Directors. No related party transactions occurred during the year ended June 30, 2011.

LOUISIANA APPELLATE PROJECT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

4. TEMPORARILY RESTRICTED NET ASSETS:

The Louisiana Public Defenders Board provides funding to the Louisiana Appellate Project for expenses relating to expert witnesses in capital cases. For the years ended June 30, 2011 and 2010, temporarily restricted net assets totaling \$73,809 and \$162,091, respectively, were available for future use of expert witness expenses.

5. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through August 15, 2011, which is the date the financial statements were available to be issued.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 15, 2011

To the Board of Directors  
Louisiana Appellate Project

We have audited the financial statements of the Louisiana Appellate Project (a Louisiana nonprofit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated August 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Appellate Project's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Appellate Project's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control that we consider to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as 2011-01 to be a significant deficiency in internal control over financial reporting.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Appellate Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

LOUISIANA APPELLATE PROJECT  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Louisiana Appellate Project for the year ended June 30, 2011 was unqualified.
2. Internal Control  
Significant deficiencies: See current year finding 2011-01  
Material weaknesses: none noted
3. Compliance and Other Matters  
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED  
GOVERNMENTAL AUDITING STANDARDS:

2011-01 - Preparation of Financial Statements

Statement of

Condition: As is common in small organizations, management has chosen to engage the auditor to prepare the Project's annual financial statements. This condition is intentional by management based upon the Project's financial complexity, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Criteria: Generally accepted auditing standards now consider that the lack of a complete GAAP financial reporting package could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements and is thereby now considered to be a significant deficiency in internal control.

Cause: Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Project has relied on its auditors to assist management in the preparation of draft financial statements.

LOUISIANA APPELLATE PROJECT  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS: (Continued)

2011-01 – Preparation of Financial Statements: (Continued)

**Recommendation:** As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

**Response:** In response to the finding, management feels that it is a prudent use of Project funds to engage the auditor to prepare the Project's annual financial reports. We therefore agree with the auditor's recommendation that no corrective action is necessary.

SUMMARY OF PRIOR YEAR FINDINGS:

2010-01: Preparation of Financial Statements:

**Condition:** As is common in small organizations, management has chosen to engage the auditor to prepare the Project's annual financial statements. This condition is intentional by management based upon the Project's financial complexity, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

**Status:** See current year finding 2011-01.